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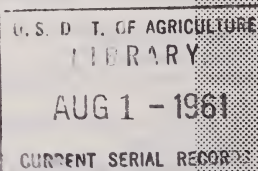
JULY 1961

FOR RELEASE
JULY 27, A. M.

DPS-79

THE DEMAND AND PRICE SITUATION

COMMODITY HIGHLIGHTS



GENERAL AGRICULTURAL SITUATION

FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

FOREIGN DEVELOPMENTS

CURRENT COMMODITY SITUATION

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ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1960		1961				
		Year	June	Mar.	Apr.	May	June	
Industrial production, seasonally adj. <u>1/</u>	: 1957=100	: 108	109	103	105	108	110	
Final products	: do.	: 111	112	107	109	111	112	
Consumer goods	: do.	: 115	117	111	114	116	118	
Autos	: do.	: 117	123	71	92	101	109	
Equipment, including defense	: do.	: 103	103	99	100	101	102	
Materials	: do.	: 106	106	99	103	106	108	
Construction: <u>2/ 3/</u>	:	:	:	:	:	:	:	
Total outlays	: Mil. dol.	: 55,148	55,189	55,177	55,032	55,684	56,459	
Public construction	: Mil. dol.	: 16,223	16,086	17,376	16,565	17,096	17,369	
Private residential	: Mil. dol.	: 22,022	22,362	20,287	21,023	21,105	21,672	
Housing starts, private only	: Thousands	: 1,252	1,279	1,296	1,166	1,295	1,374	
Manufacturers' sales and inventories: <u>2/</u>	:	:	:	:	:	:	:	
Total sales, seasonally adjusted	: Mil. dol.	: 30,417	30,780	29,550	30,120	30,710		
Durable goods	: Mil. dol.	: 14,692	14,880	13,690	14,140	14,580		
Unfilled orders-sales ratio <u>4/</u>	:	: 3.17	2.99	3.12	3.03	3.15		
Inventory-sales ratio, total <u>5/</u>	:	: 1.77	1.79	1.80	1.77	1.74		
Durable goods	:	: 2.10	2.17	2.21	2.13	2.07		
Employment and wages: <u>6/</u>	:	:	:	:	:	:	:	
Total civilian employment	: Millions	: 66.7	66.6	65.5	65.7	66.8	68.7	
Nonagricultural	: do.	: 61.0	61.7	60.5	60.7	61.2	62.0	
Unemployment	: do.	: 3.9	4.4	5.5	5.0	4.8	5.6	
Workweek in manufacturing	: Hours	: 39.7	40.0	39.1	39.3	39.7	40.1	
Hourly earnings in manufacturing	: Dollars	: 2.29	2.29	2.32	2.33	2.34	2.35	
Income and spending:	:	:	:	:	:	:	:	
Personal income <u>2/ 3/</u>	: Bil. dol.	: 402.2	406.1	407.3	409.8	413.2	416.7	
Consumer credit outstanding <u>1/</u>	: Mil. dol.	: 56,049	53,662	53,906	53,972	54,390		
Automobile	: Mil. dol.	: 17,866	17,755	17,265	17,200	17,242		
Total retail sales, seasonally adj. <u>2/</u>	: Mil. dol.	: 18,319	18,504	18,127	17,860	18,078	18,259	
Durable goods	: Mil. dol.	: 5,928	5,982	5,547	5,409	5,596	5,667	
Inventory-sales ratio <u>5/</u>	:	: 1.39	1.37	1.35	1.37	1.35		
Prices: <u>6/</u>	:	:	:	:	:	:	:	
Wholesale prices, all commodities	: 1947-49=100	: 120	120	120	119	119	118	
Commodities other than farm and food	: do.	: 128	128	128	128	128	127	
Farm products	: do.	: 89	89	90	88	87	85	
Foods processed	: do.	: 108	108	110	109	108	107	
Consumer price index, all items	: do.	: 126	126	128	128	127		
Food	: do.	: 120	120	121	121	121		
Prices received by farmers <u>7/</u>	: 1910-14=100	: 238	235	243	239	236	234	
Crops	: do.	: 221	221	224	226	230	231	
Livestock and products	: do.	: 253	248	259	251	241	236	
Prices paid, interest, taxes and wage rates <u>7/</u>	: 1910-14=100	: 299	299	302	302	302	300	
Family living items	: do.	: 290	290	290	290	291	290	
Production items	: do.	: 265	265	269	267	266	264	
Parity ratio <u>7/</u>	:	: 80	79	80	79	78	78	
Farm income and marketings: <u>7/</u>	:	:	:	:	:	:	:	
Volume of farm marketings	: 1947-49=100	: 133	118	103	97	105	118	
Cash receipts from farm marketings	: Mil. dol.	: 34,014	2,489	2,259	2,137	2,236	2,400	

Annual data for most of the items for years 1929, 1939, 1941 and 1947-60 appear on page 41 of the April issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month,
divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture, Agricultural Mar-
keting Service.

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 T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, July 20, 1961

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SUMMARY

Total farm output in 1961 may be down from the record high in 1960, according to the July Crop Report and current indications of livestock production. This would be the first decline in total output since 1949. But, with big carryover stocks of many commodities, supplies will continue large.

The indicated 7 percent reduction in crop production reflects the diversion of acreage under the 1961 Feed Grain Program, water shortages in the intermountain and southwestern areas, and below normal rainfall and hot weather in the northern Great Plains.

Output of livestock and products is likely to be up by around 4 percent from last year's total, with most of the increase in cattle, milk, and broilers.

Farmers' cash receipts from marketings for the first six months of 1961 totaled almost $3\frac{1}{2}$ percent more than a year ago. Receipts from marketings of livestock and products were up about 3 percent from the same period a year earlier and crop receipts were about 5 percent more than a year ago.

As a result of the rise in cash receipts in the first half of this year, increased Government payments, and little change in production expenses, farmers' realized net income through June was at an annual rate of \$12.6 billion. This was 12 percent more than in the first half of 1960 and about 7 percent above the revised estimate for the full year 1960.

JULY 1961

For the economy overall, economic activity rose sharply in the second quarter. The gross national output reached an annual rate of \$515 billion, more than 3 percent above the first quarter and 2 percent above a year ago. Increased Government spending and residential construction, a moderate pickup in consumer expenditures, and the termination of inventory liquidation contributed to the rise in output. With rising manufacturing and trade sales and resumption of inventory buying, industrial production rose 6 percent between the first and second quarters. Nonfarm employment increased, but unemployment in April-June was close to 7 percent of the civilian labor force, about the same as during the first quarter. With exports and the trade surplus at a near record rate, a marked improvement in the United States balance of payments position has been evident in the past few months.

COMMODITY HIGHLIGHTS

Red meat production during the next few months will be moderately above a year earlier due largely to a gain in hog slaughter. Producers have reported plans to market about 3 percent more fed cattle during July-September than in the same months last year. Fed cattle prices seem likely to hold relatively steady this summer unless depressed by drought-induced marketings of grass cattle.

Milk production in the second half of the year is likely to exceed a year earlier by a wider margin than in the first 6 months and output for the year as a whole will likely exceed 124 billion pounds compared with 122.9 billion pounds in 1960.

Broiler prices reached an all-time low in June. Placements have tapered off since last spring but are still running above last year. Prices are unlikely to recover more than modestly the rest of the summer. Egg price prospects strengthened somewhat as a result of declines from last year in the number of egg-type chicks hatched in May and June. Even with the prospective improvement, prices for August-December are likely to average lower than in the same period of 1960.

Mill use of wool appears to be on the increase in most major manufacturing countries which will probably result in a strengthening of prices during the latter half of 1961.

The 1961 wheat crop was estimated on July 1 at 1,259 million bushels, down substantially from the June 1 estimate of 1,343 million bushels and 7 percent below the 1960 crop of 1,350 million. Drought conditions in the Northern Plains have reduced spring wheat prospects; the spring wheat crop is now estimated at 143 million bushels, 104 million below last year.

The feed grain supply for 1961-62 is now estimated at 210 million tons, about 9 percent smaller than in 1960-61 and the smallest in 4 years. The acreage of corn for grain this year is down 18 percent and sorghum acreage, 26 percent.

Prices of most fats and oils are expected to rebound some this summer from the weakness evidenced in June, averaging well above last summer.

The 1961 crop of deciduous fruits will be about 6 percent larger than last year's crop and 7 percent above average, according to production prospects in early July.

Production of all major vegetables for fresh market this summer, for which estimates are now available, are expected to be less than last summer. Total production will probably be moderately below last year.

Acreage planted to cotton in 1961 was estimated on July 1 at about 16.6 million acres, compared with 16.1 million last year. Acreage planted is about 89 percent of allotments; 92 percent of allotted acreage was planted in 1960.

The July indication for output of all types of tobacco is for a total production of 1,978 million pounds, nearly 2 percent above 1960 output but 3 percent smaller than the 1950-59 average. Acreage for harvest is estimated at 2 percent above 1960, which was the third smallest in 50 years.

GENERAL AGRICULTURAL SITUATION

Total farm output for the year may be down from the record high in 1960, according to the July Crop Report and current indications of livestock production. This would be the first decline in total output since 1949. But supplies will continue large. Farmers' income in the first half of 1961 was considerably above the same period in 1960. The volume of farm products marketed totaled 3 percent more than a year ago, and farmers received a slightly higher level of prices for their products. Government payments to farmers were up, and production expenses were little changed.

Farm Output May Decline

If the July 1 crop production prospects are borne out, combined output of crops and livestock this year may be down around 3 percent from the record high in 1960. Nevertheless, farm output would total close to the previous record levels of 1958 and 1959. And, with big carryover grain stocks, supplies of agricultural products will continue large.

Crop Production Prospects Down Sharply

Total crop output for 1961 is likely to be down sharply from the record level of 1960. The preliminary all-crop production index for 1961 is 112, down more than 7 percent from a year ago. The drop in crop production largely stems

from an estimated 6.5 percent reduction from last year in the acreage of 59 crops for harvest in 1961. Acreage planted for harvest in 1961 totaled 306 million, some 17 million less than in 1960. Yield per acre may also be down somewhat. The composite yield per acre index covering 28 leading crops is 139 for 1961, compared with 143 last year which equaled the previous high in 1958.

The reduction in output reflects the diversion of acreage under the Feed Grain Program, water shortages in the intermountain and southwestern areas, and below normal rainfall and hot weather in the northern Great Plains.

Major reductions in production are indicated for corn and sorghum grains, as a result of sharply lower acreages under the Feed Grain Program. Corn production for grain is forecast to be 3.2 billion bushels this year, down 18 percent from the 3.9 billion bushels harvested in 1960. Sorghum grain acreage for harvest this year is down 26 percent. Smaller reductions are indicated for barley, oats, flaxseed, and hay.

Food grain production is expected to be down from the high 1960 output because of the severe impact of drought on spring wheat areas. Although the winter wheat crop is forecast to be a little larger than last year's crop, the poor spring wheat crop may reduce total wheat production almost 7 percent.

A record high soybean acreage has been planted for 1961, up 14 percent from 1960 and 11 percent higher than the previous record plantings in 1958. Stands are generally good.

Planted cotton acreage of almost 16.6 million acres is up 3 percent from last year. The upland cotton acreage allotment is about 18.5 million acres, about 5 percent more than the acreage available to producers in 1960. Planted acreage was down from last year, however, in the high yielding states of California, Arizona, and New Mexico. Cool weather held back growth all across the cotton States. Warm dry weather is needed to spur growth and permit cultivation.

Increased output is indicated for tobacco, non-citrus fruits, and vegetables for processing, while sugar crop tonnage is expected to be at an all-time high. Output of summer vegetables for fresh market is likely to be smaller than in 1960.

Indicated Livestock Output Up

Output of livestock and products is likely to be up by around 4 percent from last year's total. Slaughter of cattle in the first half of this year was 4 percent greater than in the same period last year. For the remainder of 1961, cattle slaughter may be only a little greater than a year ago. Hog slaughter in January-June was down 7 percent from the amount in the first six months last year, but with the spring pig crop 7 percent larger than last year's crop, marketings will exceed year ago levels during the remainder of 1961. Slaughter of poultry so far this year exceeded the total in the first half of last year by almost a fifth. Poultry output this year will be record

large. Total milk output in 1961 is also expected to exceed production for 1960, perhaps totaling a little more than 124 billion pounds compared with 122.9 billion in 1960. The daily rate of milk output in the first six months of this year was 1 percent greater than in the same period of 1960.

Large Grain Stocks Bolster Supplies

Although output of feed and food grains is indicated down from the total tonnage produced in 1960, stocks are large. Stocks on farms on July 1 of most grains were substantially greater than the year earlier.

Item	Percentage change July 1, 1960 to July 1, 1961
Rye (old crop)	141
Flaxseed (old crop)	70
Wheat (old crop)	42
Oats (old crop)	18
Sorghum grain	17
Barley (old crop)	15
Corn for grain	11
Soybeans	-72

Corn stocks on farms July 1 were a record high of 1.4 billion bushels, 11 percent greater than the previous July record of 1.3 billion bushels a year earlier. About 54 percent of these farm stocks were under CCC loan, including resale and purchase agreement. Total corn stocks in all hands on October 1, 1961 probably will total around 2 billion bushels, compared to 1.8 billion bushels at the end of the 1959-60 marketing year. Stocks of old-crop wheat on farms on July 1 were estimated at 136 million bushels, the largest carryover since 1943. Farm wheat stocks, however, make up only about 10 percent of the approximately 1.4 billion-bushel July 1 total wheat carryover. The sharp reduction in soybean stocks on farms reflects the favorable prices that prevailed this year, inducing farmers to dispose of their holdings. Total old-crop soybean stocks at the end of the 1960-61 marketing year which ends September 30 may total about 5 million bushels.

January-June Cash Receipts Up

Although farm product prices during the second quarter of this year fell below year ago levels, after averaging almost 3 percent above the first quarter of 1960, cash receipts from marketings for the first six months of 1961 totaled almost $3\frac{1}{2}$ percent more than a year ago. Receipts were 9 percent larger in the first quarter than a year earlier, but were about 2 percent less in April-June 1961 than in the same period in 1960.

Receipts from marketings of livestock and products totaled about \$9.4 billion during the first half of 1961, about 3 percent more than for the same period a year earlier. Cash returns from hogs were up around 11 percent and those from dairy products up over 3 percent from the first half of

1960. Although prices for cattle and calves and broilers averaged lower than a year earlier, a high level of marketings in the first six months helped maintain cash receipts for these commodities.

Farmers received about \$5 billion from marketings of crops during January-June of this year, about 5 percent more than a year ago. Overall, crop prices and marketings exceeded the year-earlier level. Receipts were higher for food grains, feed crops, cotton, tobacco, and oil crops. Cash returns from oranges were sharply higher and contributed largely to the increase in receipts from fruits and nuts. On the other hand, sharply lower potato prices reduced receipts from vegetables compared to the January-June 1960 period.

Prices Paid and Production Expenses Little Changed

Prices paid by farmers for family living and production items, interest, taxes, and farm wage rates through mid-June averaged virtually the same as a year ago. Production expenses in this period were estimated just above early 1960. Cost rates in the main held steady but interest charges and property taxes advanced.

Parity Position Unchanged

As a result of the relative stability in prices paid by farmers and a rise of less than 1 percent in the average of prices received by farmers, the parity position of farmers averaged the same in the first half of 1961 as the year earlier. The ratio of 79 for the first six months of this year is close to the average parity ratio in both 1959 and 1960. With cost rates advancing rapidly after the Korean war and prices received by farmers declining from the peak level reached in 1951, the parity ratio has dropped from an average of 103 in 1950-52.

Farm Income Advances

The almost $3\frac{1}{2}$ percent rise in cash receipts in the first half of 1961, coupled with increased Government payments and little change in production expenses, resulted in farmers' realized net income through June at an estimated annual rate of \$12.6 billion. This was 12 percent more than in the first half of 1960 and about 7 percent above the revised estimate for the full year 1960.

Farm income so far this year has been supplemented by advance payments to farmers under provisions of the 1961 Feed Grain Program. Through June 2, certificates covering \$265.3 million worth of grain had been issued to participants in the program, and for the year the total may exceed \$700 million.

Table 1.--Agricultural prices, marketings and income, quarterly, 1960 to date

Item	Unit	1960				1961		
		Year	I	II	III	IV	I	II
Prices received by								
farmers	: 1910-14=100	: 238	236	239	236	241	243	236
Crops	: 1910-14=100	: 221	220	223	221	219	221	232
Livestock	: 1910-14=100	: 253	249	252	249	260	261	243
Prices paid, interest,								
taxes and wage rates	: 1910-14=100	: 299	299	301	298	297	302	301
Family living items	: 1910-14=100	: 290	289	291	290	291	291	290
Production items	: 1910-14=100	: 265	266	267	263	263	268	266
Parity ratio		: 80	79	80	79	81	80	78
Volume of farm mar-								
ketings	: 1947-49=100	: 133	110	106	144	171	116	107
Crops	: 1947-49=100	: 130	88	69	155	209	100	65
Livestock	: 1947-49=100	: 134	126	134	135	143	128	138
Cash receipts from								
farm marketings <u>1/</u>	: Bil. dol.	: 34.0	6.9	7.0	9.1	11.0	7.6	6.8
Crops	: Bil. dol.	: 15.1	2.5	2.3	4.4	5.9	2.9	2.2
Livestock	: Bil. dol.	: 18.9	4.4	4.7	4.7	5.1	4.7	4.6
Farmers' realized net								
income <u>2/</u>	: Bil. dol.	: 11.7	10.4	12.0	12.0	12.4	12.6	12.5

1/ Seasonally adjusted annual rates are: 1960-\$34.0 billion; \$32.7 billion (I); \$34.4 billion (II); \$34.2 billion (III); \$34.7 billion (IV); and 1961-\$35.3 billion (I); \$34.0 billion (II). 2/ Seasonally adjusted annual rates.

June 1961 Receipts Somewhat Lower

Lower meat animal and poultry prices and a reduced volume of crop marketings from a year earlier lowered cash receipts in June about 2 percent from June 1960. Livestock receipts were estimated at \$1.5 billion this June and crops at \$0.9 billion, down 2 and 3 percent, respectively, from June 1960.

FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

Gross national output moved up rapidly in the second quarter of 1961 to a \$515 billion annual rate, about 3 percent above the 1960-61 recession low in the first quarter of 1961. In the second quarter of 1960, the peak of the 1958-60 expansion, gross national output was at a \$506 billion rate. A turn-around in inventory buying, along with increased Government and private construction activity were mainly responsible for the pickup in the Nation's output.

Consumers' Incomes and Spending Higher

With augmented national output, disposable personal income in the second quarter of 1961 was at an annual rate of \$362 billion, up 2 percent from the first quarter and $2\frac{1}{2}$ percent above a year ago. Consumer purchases of goods and services rose moderately in the second quarter to \$336 billion, about 2 percent more than in both the first quarter of 1961 and the second quarter of 1960. A faster rise in personal disposable income than in consumption expenditures between the second quarters of 1960 and 1961 was reflected in a higher level of personal savings. Personal savings were about $6\frac{1}{2}$ percent of disposable income in the second quarter of 1960 compared with over 7 percent in the second quarter of 1961. The higher level of savings was mainly due to a decline in spending for durable goods during that period. Recently, retail sales of durable goods stores have been rising and in June were up 6 percent from February, and a further increase is likely. The recent survey of consumer attitudes and inclinations to buy by the Survey Research Center of the University of Michigan indicates that consumers plan to buy more new cars and homes in the next 12 months than in the year just ended. With rises in consumer purchases likely, the savings rate may decline some from second quarter levels in coming months.

Purchases of durable goods dropped 13 percent between the second quarter of 1960, the peak of the 1958-60 expansion, and the first quarter of 1961, with autos down over a fifth and furniture and household equipment off about 6 percent. In the first five months of 1961, consumer credit outstanding, seasonally adjusted, for automobiles declined \$581 million and other consumer goods paper \$10 million.

Between the first and second quarters of 1961 purchases of durable goods rose moderately to a \$41.8 billion annual rate, up 6 percent from the first quarter but 8 percent below a year ago. Retail sales of the automotive group in April-May, seasonally adjusted, averaged 3 percent above January-March but were 12 percent below April-June 1960. Dealer sales of new autos in April-June were 11 percent below a year ago. Retail sales of furniture and appliance stores in April-May, seasonally adjusted, were up 3 percent from January-March, but 5 percent below a year ago.

Table 2 .--Gross national product and disposable personal income,
by quarters, 1960 and 1961

(Billion dollars, seasonally adjusted annual rates)

Item	1960			1961	
	II	III	IV	I	II <u>1/</u>
Gross national product	506.4	505.1	504.5	500.8	515.0
Personal consumption expenditures:	329.9	329.7	332.3	330.7	336.0
Durable goods	45.3	43.4	43.8	39.4	41.8
Nondurable goods	153.3	152.7	153.1	153.7	154.2
Services	131.2	133.6	135.4	137.5	140.0
Gross private domestic investment:	74.6	70.5	65.6	59.8	68.0
New construction	40.7	40.4	40.7	39.6	41.0
Residential	21.2	21.0	20.5	19.3	20.4
Other	19.5	19.4	20.2	20.4	20.6
Producers' durable equipment	28.6	27.7	26.7	24.2	24.5
Change in business inventories	5.4	2.4	-1.9	-4.0	2.5
Net exports of goods and services:	2.3	3.0	5.1	5.3	3.5
Government purchases of					
goods and services	99.6	101.9	101.6	105.0	107.5
Federal	52.9	54.0	53.0	54.7	56.5
National defense	45.5	45.4	45.7	47.2	48.7
State and local	46.8	48.0	48.6	50.3	51.0
Disposable personal income	352.7	354.4	354.9	354.3	361.7

1/ Preliminary estimates by Council of Economic Advisers.

Department of Commerce, except as noted.

Purchases of nondurable goods rose fractionally between the second quarter of 1960 and the first quarter of 1961. In the second quarter of 1961, purchases rose to a level nearly 1 percent above a year ago. Consumers continued to expand their purchases of food in 1961; retail sales of the food group in the first 6 months were 3 percent above a year ago. Purchases of services continued their post-World War II uptrend and in the second quarter of 1961 at \$140.0 billion were 7 percent above a year ago.

Prices paid by farmers for family living items in April-June at 290 (1910-14=100) averaged about the same as a year earlier. Urban consumer prices, which include a heavier proportion of services, in April-May 1961 were about 1 percent above a year earlier. The cost of services was up about 2 percent. Food prices were up about $1\frac{1}{2}$ percent, with generally lower prices for other commodities.

Private Investment Recovers in Second Quarter

Private investment in the first quarter of 1961 at an annual rate of \$60 billion was down 20 percent from the business cycle peak in the second quarter of 1960, due to sharp changes from inventory accumulation to liquidation and moderate declines in business capital spending and residential construction outlays.

In the second quarter of 1961 private investment spending rose to a \$68 billion rate, as inventory liquidation ceased and residential construction outlays picked up.

Inventory investment declines sharply during recessions, and rises in recovery periods. Inventories were accumulated at an annual rate of over \$5 billion in the second quarter of 1960, but, as sales to business and consumers declined, liquidation began and in the first quarter the rate of liquidation reached \$4.0 billion. With rising new orders and sales in the second quarter, however, the inventory situation improved and stocks were accumulated at a \$2.5 billion annual rate. Manufacturing and trade stock-sales ratios declined from 1.57 in January to 1.48 in May. With further economic expansion likely in coming months, increased inventory purchasing is probable.

Residential construction outlays declined 9 percent during the 1960-61 recession, but rose 6 percent between the first and second quarters of 1961. Although there has been considerable month-to-month variation, private housing starts have increased since the end of 1960. Private starts at 1,374,000 in June were about 40 percent above the December 1960 low, and 7 percent above a year ago. Generally easy credit conditions and a declining trend of mortgage interest rates have been important factors stimulating the pickup in starts in recent months. The recent housing legislation which provides for a further lengthening of repayment periods on certain FHA mortgages may encourage a rising trend of housing starts in coming months.

Construction outlays for 1961 are expected to total \$57.8 billion, 4 percent above 1960, according to the recent Department of Commerce mid-year construction forecast. Public construction is expected to be up about a tenth with gains in all categories. The value of private construction put in place is expected to be up about 2 percent from 1960. Due to a low level of outlays in the opening months, residential construction may be off a little for the year in comparison to 1960. Industrial construction is likely to be up 5 percent, largely because of a carryover from projects started in 1960. Commercial buildings, other private nonresidential buildings and new gas utility facilities are also expected to be higher this year than in 1960.

Table 3 .--New construction put in place in the United States, 1960 and outlook for 1961

Item	1960 <u>1/</u>	1961 <u>2/</u>	Percent change 1960-61
	<u>Mil. Dol.</u>	<u>Mil. Dol.</u>	<u>Percent</u>
Total new construction	55,556	57,800	4
Private construction, total	39,603	40,300	2
Residential buildings (nonfarm)	22,546	22,500	3/
Nonresidential buildings (nonfarm)	10,168	10,625	4
Industrial	2,851	3,000	5
Commercial	4,180	4,400	5
Other nonresidential buildings	3,137	3,225	3
Farm construction	1,285	1,300	1
Public utilities	5,323	5,575	5
Public construction, total	15,953	17,500	10
Nonresidential buildings	4,792	5,250	10
Military facilities	1,386	1,600	15
Highways	5,464	5,900	8
Sewer and water systems	1,487	1,625	9
Conservation and development	1,221	1,300	6

1/ The work-put-in-place statistics for 1960 are revised estimates to be shown in a forthcoming Bureau of the Census release.

2/ Estimates prepared by Business and Defense Services Administration.

3/ Change of less than one-half of 1 percent.

U. S. Department of Commerce.

Capital spending by business declined 7 percent during the 1960-61 recession. Capital outlays, which often lag business cycle turning points by a few months, were unchanged at a \$33.8 billion annual rate in both the first and second quarters of 1961. A moderate rise in capital spending is scheduled in the last half of 1961 according to the most recent Commerce-SEC survey.

Government Purchases Higher

Federal Government purchases climbed steadily in the past year and at a \$56.5 billion rate in the second quarter were up \$3.6 billion from a year ago. Much of the increase in Federal spending was for national defense and space programs. State and local Government purchases at \$51.0 billion were \$4.2 billion above the second quarter a year earlier, continuing their postwar uptrend.

Production and Employment

The Federal Reserve Board's index of industrial production, seasonally adjusted, rose 6 percent between the first and second quarters of 1961. The index in June at 110 (1957=100) was the same as a year earlier. Gains in production of durable goods were largest, up 7 percent between the first and second quarters. Steel and auto production registered the sharpest gains, up 24 and 36 percent, respectively, between the first and second quarters of 1961. Fabricated metal products and machinery output were moderately higher. Output of nondurable goods firms rose $4\frac{1}{2}$ percent between the first and second quarters of 1961.

Nonfarm employment totaled 52.5 million, seasonally adjusted, in April-June, 400,000 above the January-March average of 52.1 million but still 600,000 below the 53.1 million persons employed in April-June 1960. About 75 percent of the gain in employment between the first and second quarter was in manufacturing. While manufacturing production in April-June was only slightly below a year ago, employment at 15.9 million was 600,000 below, indicating a rise in output per manhour. Unemployment has remained close to 7 percent of the civilian labor force since last December.

Average hours of production workers usually rise along with higher output and employment. Average hours in April-June were 39.⁸ compared with 39.1 in January-March but a little below a year ago. With higher hours and employment, average weekly earnings of production workers in April-June averaged \$92.90, up \$2.50 from January-March and \$2.04 above a year ago.

FOREIGN DEVELOPMENTS

Marked Improvement in
Balance of Payments

A marked improvement in the United States balance of payments has been evident in the past few months. The balance of payments deficit, seasonally adjusted, during the first quarter of 1961 was \$288 million, less than half the deficit of a year earlier and \$1.1 billion below that recorded in the final quarter of 1960. Excluding a non-recurring transaction, the improvement from the final quarter of 1960 was \$700 million due to a reversal of the heavy outflow of unrecorded short-term capital. With the rise in the stock market, net foreign investment in U. S. corporate securities was also resumed, while U. S. portfolio investments abroad were minimal. The quarterly improvement in the trade balance amounted to \$120 million. Compared to a year earlier, however, most of the improvement came from a rise to near record levels in the export surplus on merchandise trade.

Table 4.--Analysis of U. S. balance of payments, seasonally adjusted
1959 and quarterly, 1960 to date ^{1/}

Item	1959	1960				1961
	Cal. yr.	I	II	III	IV	I
	Mil.dol.	Mil.dol.	Mil.dol.	Mil.dol.	Mil.dol.	Mil.dol.
U. S. payments	29,743	7,567	7,690	7,941	8,214	7,668
Imports:						
Merchandise	15,294	3,785	3,830	3,674	3,433	3,361
Military expenditures	3,109	767	756	798	727	759
Other services	5,134	1,373	1,438	1,402	1,344	1,358
Remittances and pensions	791	198	213	207	230	210
Government grants and capital outflows	3,040	750	843	775	1,013	1,000
U. S. private capital	2,375	694	610	1,085	1,467	980
Direct investments	1,372	344	260	406	684	465
Long-term portfolio	926	194	267	145	244	8
Short-term	77	156	83	534	539	507
U. S. receipts	25,318	6,920	7,126	7,047	7,135	7,327
Exports:						
Merchandise	16,282	4,650	4,837	4,927	4,995	5,044
Services	7,427	1,915	1,991	1,927	2,058	2,051
Repayments on U. S. Government loans	1,054	168	148	170	145	113
Foreign long-term capital	555	187	150	23	-63	119
Excess of receipts or payments (-)	-4,425	-647	-564	-894	-1,079	-341
On goods and services	172	640	804	980	1,549	1,617
On Government grants and capital	-1,986	-582	-695	-605	-868	-887
On private U. S. and foreign long-term capital	-1,820	-507	-460	-1,062	-1,530	-861
Unrecorded transactions	528	33	-142	-212	327	53
Total, net receipts (+) or payments (-) ^{2/}	-3,897	-614	-706	-1,106	-1,406	-288
Total, excluding special transactions ^{3/}	-4,232	-614	-626	-1,106	-962	-288

^{1/} Excludes goods and services transferred under military grants, and the subscription to the International Monetary Fund of \$1,375 million in the second quarter of 1959. ^{2/} Balanced by changes in holdings of gold and convertible currencies by U. S. monetary authorities and changes in liquid liabilities. ^{3/} Advance repayments on U. S. Government loans, exceptionally large private direct investments involving cash payments and subscriptions to international organizations.

Exports and Trade Surplus
at Near Record

The United States merchandise trade surplus through May of this year was at a seasonally adjusted annual rate of \$6.5 billion, up \$2.6 billion from the rate of a year ago and the highest since the Suez crisis. The rise in the trade surplus reflected somewhat larger exports and greatly reduced imports. For the first five months of 1961 U. S. exports were at a seasonally adjusted annual rate of nearly \$20 billion. The near record level of exports was in response to the investment boom and sustained economic expansion in most foreign industrial countries as well as some reduction in trade barriers against dollar goods. Conversely, the reduced level of economic activity and inventory liquidation in the United States as well as the success of the U. S. compact cars were largely responsible for reducing the rate of imports by 11 percent from a year earlier, to a seasonally adjusted level of \$13.5 billion. The excess of exports over imports is likely to diminish as U. S. business improves and current and inventory demand for imports rise. The competitive advantage of rapid delivery of export orders may also narrow. Moreover, deliveries of foreign aircraft to U. S. airlines will coincide with completion of deliveries of U. S. commercial jets to foreign purchasers. Part of an anticipated drop in industrial exports may be offset by some further rise in the value of agricultural exports.

Capital Outflow Remains Large
Gold Stock Rises

Limiting the improvement in the U. S. balance of payments from the rise in the merchandise trade surplus is the continued outflow of recorded U. S. short-term capital, as reported by U. S. banks and nonfinancial institutions. During the first quarter this outflow was at a seasonally adjusted rate of \$500 million, somewhat less than in the preceding two quarters. While this outflow remained high in April despite some narrowing in comparative yields, increased capital requirements in the U. S. for inventory and plant expansion is likely to reduce the outflow in coming months. On the other hand, gold losses ceased after February. Gains from mid-March through May were nominal, but totaled \$150 million in June. For the week ending July 12, the U. S. gold stock averaged \$17.6 billion, still \$1.7 billion below a year earlier.

Foreign Reserves at New High
Quarterly Gain Smallest Since 1957

The reduction of the U. S. deficit limited the first quarter increase in foreign gold and dollar holdings to \$474 million, the smallest increase since 1957. Preliminary second quarter indications point to further gains in foreign reserves, despite the prepayment in April of \$589 million of postwar German debts to the U. S. Foreign countries as a whole added \$355 million to their reserves: The net gain was in gold holdings as U. S. short-term dollar liabilities to foreign countries declined. The largest gains in reserves were

by Germany, France, and Japan, all of whom increased their gold and dollar holdings. The reserves of the United Kingdom continued a decline which began in late 1960, (and accelerated in recent months) as a result of a deepening trade deficit and as U. S. short-term capital which had flowed to Britain in the latter part of 1960 moved on to the capital markets on the Continent. During the quarter there was little change in foreign countries' holdings of U. S. bonds and notes, but the net gain in the reserve of international agencies of about \$120 million reflected purchases of these securities. Altogether, foreign gold and dollar assets on March 31, 1961 totaled a record \$46.8 billion (\$4.0 billion above a year earlier), with \$7.4 billion in the hands of international agencies.

CURRENT COMMODITY SITUATION

LIVESTOCK AND PRODUCTS

Meat Animals

Meat production during the next few months will be moderately above year-earlier output due largely to a gain in hog slaughter. Cattle slaughter will likely be up only slightly unless marketings are boosted significantly by critical drought conditions. Meat animal prices are currently showing some summer-time price strength but seasonal declines are in prospect for late summer and fall. Fed cattle prices will probably hold up better than those for grass cattle.

By midyear, hog slaughter had pulled ahead of a year earlier. The gain in the 1961 spring pig crop--up 7 percent from a year earlier--will become increasingly evident in marketings this summer and fall. Hog prices are near those of a year earlier and may average nearly as high this summer as last. Prices this fall will be below last fall.

The number of cattle and calves on feed July 1 in 26 leading States was 2 percent greater than last July. Producers reported that they planned to market 57 percent of these during July-September. This would be about 3 percent more than in these months last year. Fed cattle prices seem likely to hold relatively steady this summer unless depressed by drought-stimulated marketings of grass cattle.

Sheep and lamb slaughter the first half of this year totaled about 13 percent larger than a year before. Marketings this summer and fall will consist largely of lambs from the major producing areas of the North and West where the number of lambs saved was probably close to a year ago. (The official estimate of the 1961 lamb crop is scheduled for release July 25.)

Lamb slaughter this summer and fall will likely total about the same as a year earlier. The seasonal price decline this fall is expected to be less than usual.

Supplies of meat per person this summer will probably total a little below last summer. Prospects are for consumption per person for 1961 to total about 160 pounds, a pound or so less than in 1960.

Dairy Products

Manufacturing milk prices in June averaged \$3.25 per hundredweight, 16 cents above a year ago. These prices have exceeded year earlier levels by about this amount since March, but when adjusted to the annual average fat content were 3 to 4 cents per hundredweight less than the support price of \$3.40 which was put into effect on March 10. Because of this, the USDA announced on July 18 increases in the purchase prices for nonfat dry milk and Cheddar cheese of 0.5 and 0.4 cents per pound, respectively. The purchase prices for butter were not increased because prices to farmers for butterfat were equal to the support level. The increases in purchase prices are expected to raise manufacturing milk prices to the \$3.40 per hundredweight previously announced.

The average prices to farmers for all milk, wholesaled at \$3.98 and \$3.88 per hundred pounds in May and June, respectively, were only 10 and 8 cents higher than in 1960. The gain in the wholesale prices for all milk was limited primarily because prices for milk distributed in fluid form (Class I prices) were little changed from a year ago and, to a lesser extent, because a somewhat larger proportion of milk produced was used in lower-valued manufactured products.

Class I prices in May and June failed to reflect the recent increase in the level of price supports because of the operation of supply-demand adjusters in many fluid markets. These devices in pricing formulas bring about downward adjustments in the Class I price when milk deliveries increase relative to the sale of fluid products. From January through April 1961, receipts from producers in 75 Federal order markets averaged 5.7 percent above a year earlier. During the same period, Class I sales of producer milk in these markets were only 1.3 percent greater.

June milk production was 2 percent larger than the same month last year. In the first half of the year, output has been above the 1960 level in every month except February, which had 1 less day this year than last. For the entire 6-month period, milk production was 1 percent, or 438 million pounds, greater than in 1960. In the second half of the year, milk flow is likely to exceed year-earlier levels by a wider margin, and output for the year as a whole likely will exceed 124 billion pounds.

Milk used for manufactured products in the first part of the year appears to have increased more rapidly than milk production, indicating some falloff in milk utilized for fluid products. Through April most of the

extra milk was used for cheese, but since then butter production has taken a greater quantity. Weekly estimates of butter and American cheese production in June averaged 9 and 15 percent, respectively, above a year earlier; for the first six months of the year the output of these products was 3 and 18 percent greater. The large production has been reflected in substantially greater purchases under the price support program. Purchases by the CCC in the first 3 months of the marketing year beginning April 1 were as follows: Butter, 127 million pounds compared with 65 million pounds a year earlier; and cheese, 21 million pounds compared with less than 1 million pounds in 1960-61. Deliveries of nonfat dry milk to the CCC at 329 million pounds were 11 percent larger.

Poultry and Eggs

The egg price outlook to producers for the late fall and winter of 1961 has been somewhat brightened by declines from last year in the number of egg-type chicks hatched in May and June. January-June hatchings averaged 5 percent higher than in 1960. Even with the prospective improvement, prices for August-December are likely to average lower than in the same period of 1960.

Mid-June average egg prices -- 30.8 cents per dozen to farmers -- were slightly below 1960. Price increases later in the month and early in July raised many wholesale quotations to levels 4 to 7 cents above the year before. Egg production on July 1 was less than 1 percent below last July 1, while January-May output had been $2\frac{1}{2}$ percent below 1960. For the rest of the year, however, monthly egg output is likely to exceed 1960, with a substantial increase likely in August, September, and October.

On July 12, USDA suspended its egg buying program, under which $22\frac{1}{2}$ million pounds of dried whole egg had been bought since early February 1961. This was equivalent to more than 2 percent of the eggs produced on farms during that period.

Broiler prices during June dropped to an all-time low, 11 cents per pound in Georgia and other Southern States. The supply for market was record high, reflecting the chick placements which roughly 2 months earlier had reached peaks of 45 million chicks weekly. Placements have since tapered down somewhat, but are still running above last year. Broiler prices are unlikely to recover more than modestly in the remainder of the summer.

A broken lock at Wheeler Dam on the Tennessee River has increased costs for many Southeastern producers who now must trans-ship feed that would ordinarily be barged directly to Guntersville, Alabama, and other points serving north Georgia and Alabama. However, proposals have been made by several railroads for a rate cut for feed into the Southeastern area.

Turkey prices also reflect large supplies. About 25 percent more turkeys than a year earlier are now growing for slaughter in the remainder of the year. Increases occur among all varieties of turkeys, but are greatest for heavy white birds which can be slaughtered at weights competitive with either Bronze turkeys or Beltsvilles. Mid-June average turkey prices to farmers--20.5 cents per pound--were the lowest since 1942. For the remainder of the year, they are likely to continue considerably below 1960.

Wool

World wool prices moved downward slightly during the last month. This easing of prices is due more to seasonal factors, such as mill vacations and the closing of the major world markets for the 1960-61 season than it is to a lessening of demand. Mill use appears to be on the increase in most of the major manufacturing countries which will probably result in increasing demand and a strengthening of prices during the latter half of 1961.

The average price received by U. S. producers for shorn wool was 42.3 cents per pound in June, down slightly from the 42.5 cents received in May and 5 percent less than the 44.4 cents received in June 1960. According to trade reports, a substantial portion of the current domestic clip has moved out of producers' hands to the dealers and manufacturers. Due to this factor and mill vacations, sales have been limited, and mostly at the local level.

U. S. raw apparel wool mill use during the first 5 months of 1961 totaled 100.3 million pounds, scoured basis, 5 percent less than in January-May 1960. The seasonally adjusted average weekly rate of mill consumption during May was 5.2 million pounds, 8 percent more than in April and 8 percent more than a year earlier.

Mill consumption of carpet wool during January-May 1961 amounted to 56.3 million pounds, scoured basis, 24 percent less than the first 5 months of 1960. The seasonally adjusted average weekly rate of mill use during May was 2.8 million pounds, 18 percent more than in April but 9 percent less than in May 1960.

Imports of raw wool during the first 5 months of 1961 were slightly above a year earlier. Dutiable raw wool imports totaled 39.3 million pounds, clean content, 6 percent more than in January-May 1960. Duty free imports amounted to 67.2 million pounds, clean content, 1 percent more than the same period a year earlier.

Woolen and worsted woven good fabric production amounted to 63.8 million linear yards during the first quarter, 1961, 6 percent more than the fourth quarter of 1960, but 14 percent less than first quarter of 1960. Men's and boys' clothing fabric production increased 13 percent from the previous quarter but was 22 percent below the output during the first quarter of 1960. The output of women's and children's clothing fabric was 4 percent above the previous period and 8 percent below production of the first quarter of 1960.

CROPS

Wheat

The total wheat supply for the 1961-62 marketing year is estimated at 2,675 million bushels, about the same as the record in 1960-61 but 42 percent above the 1950-59 average. An expected increase of about 100 million bushels in carryover on July 1, 1961 (official estimate of carryover in all positions on July 1, 1961 was released July 24--after this report went to press) is offset by a prospective decrease of 100 million bushels in the 1961 crop. The 1961 crop was estimated on July 1 at 1,259 million bushels, down substantially from the June 1 estimate of 1,343 million, primarily as a result of reduced prospects for spring wheat. Spring wheat production, reflecting the drought in the Northern Plains, was estimated at 143 million bushels, 104 million below the 1960 crop.

Domestic disappearance for 1961-62 is estimated at about 610 million bushels, about the same as last year; exports at 675 million would be slightly above the record 660 million expected in 1960-61. On the basis of these estimates, about 1,390 million bushels would be carried over on July 1, 1962, close to the 1961 indicated carryover.

Winter wheat prices have advanced from the relatively low levels of early June, with prices at Kansas City up about 8 cents per bushel and those at St. Louis up about 16 cents. On July 20, prices at these markets were about at the effective support rate as a result of strong export demand. Spring wheat prices were especially high, with Minneapolis spring wheat 22 cents above the effective support, reflecting the deterioration of the spring wheat crop. Prices at Portland were 13 cents above effective support.

Wheat prospects in the Northern Hemisphere are for a crop below the high level of a year ago. While spring wheat production in the United States is very small, winter wheat production is large, resulting in a total crop 15 percent above the 1950-59 average. Along with the reduction in the U. S. spring crop, prospects in Canada are poor. The outlook is also less favorable in Europe, parts of Asia and Africa, compared with last year. On the other hand, prospects for the Soviet Union are for a larger crop than was harvested in either 1959 or 1960.

Feed Grains

Total feed grain production was estimated in July at 125 million tons, nearly a fifth less than in 1960 and 6 percent below the 1955-59 average. The smaller crop this year resulted from a 14 percent reduction in acreage, planted principally in corn and sorghums, as farmers reduced acreages under the 1961 Feed Grain Program. Including the prospective carryover into 1961-62 of about 85 million tons, the feed grain supply for 1961-62 is estimated at 210 million tons, about 9 percent smaller than in 1960-61.

The 67 million acres planted to corn was down 18 percent from 1960 and the total sorghum acreage was down 26 percent. The corn crop for harvest as grain was estimated at 3,175 million bushels, a reduction of more than 700 million bushels from the 1960 crop of 3,891 million, and also a little below the 1955-59 average of 3,235 million bushels. (This year, for the first time, corn for grain estimates are available in July. Formerly, forecasts made during the growing season related to the grain equivalent of all corn including corn to be used for silage and for other purposes.) The total grain corn supply, based on July 1 prospects, is estimated at 5,176 million bushels, about 505 million bushels less than the record supply last year. The oat supply for 1961-62 is 9 percent smaller than in 1960-61 and the barley supply is down 10 percent. Smaller supplies of oats and barley are largely the result of drought conditions in the Northern Plains.

Hay production in 1961 is estimated in July at 109 million tons, 9 million tons less than in 1960. On July 1 pasture conditions for the entire country averaged a little below a year earlier, but were slightly above the 10-year average.

Conditions have been generally favorable for feed crops in the main Corn Belt, but drought has severely reduced prospects in the Northern Plains. To meet possible feed shortages in the drought area, the Secretary of Agriculture designated an emergency drought area centering in Minnesota, Montana, and North and South Dakota to receive assistance in obtaining CCC owned feed grains at current support prices and to graze or cut hay on conservation reserve or feed grain program diverted acreage. The export payment-in-kind program for oats and barley also has been terminated to conserve stocks of these grains for livestock feeding.

Feed grain prices continue to be influenced by the Emergency Feed Grain Program and prospects for the 1961 crops. In recent months, prices of corn and sorghum grain have been strengthened by large quantities of 1960 crop grain placed under price support which has reduced free supplies and higher supports for the 1961 crops. In the early part of July, corn prices in Chicago averaged \$1.14 per bushel, 22 cents above the seasonal low last fall, but about 6 cents lower than a year earlier. Sorghum grain prices have advanced substantially above the 1960 support level and also are higher than a year earlier, reflecting short supplies outside the Government held stocks. Barley prices have advanced sharply since early June, reflecting the drought in the main producing area of Northern Plains.

Average prices received by farmers for the four feed grains rose slightly from May to June when the index was 16 percent above the seasonal low reached last November. The June average, however, was still 4 percent lower than a year earlier. Prices of oats, barley, and sorghum grain usually decline during the summer and corn prices normally decline in the late summer and fall as the new crops are harvested. With smaller total production of feed grains this year and with higher support on the 1961 crops, seasonal weakness in prices of all the feed grains are expected to be much less than normal.

Oilseeds, Fats and Oils

Monthly average prices received by farmers for their 1960 soybean crop so far this marketing year rose sharply from \$1.94 per bushel in October 1960 to a seasonal peak of \$3.02 in April 1961, then dropped considerably to \$2.60 in June. Soybean prices through most of the summer probably will hover around current levels, averaging well above the \$2.00 per bushel received a year ago. Prices late in the summer probably will decline seasonally with the approach of the 1961 soybean harvesting season. The 1961 soybean crop will be supported at \$2.30 per bushel, 45 cents above last year's rate. Crushing and export demand for soybeans during the current marketing year is expected to require all but about 5 million bushels of the 1960 soybean crop, the carryover forecast for October 1, 1961.

The 1961 soybean acreage planted for all purposes was 27.9 million acres, an all-time high, 11 percent above the previous record established in 1958 and 14 percent above last year. Farmers intend to harvest 27.1 million acres of the total acreage planted for beans. This is about 15 percent above last year. The acreage of soybeans is about 1.5 million acres larger than was indicated March 1. This is due primarily to changes in growers' plans because of the Government Feed Grain Program and higher support prices, which were announced after March 1 acreage reports were completed by growers.

Wholesale prices of most fats and oils, after advancing sharply from last fall's low to a peak in the spring of this year, have receded some in recent months. During the summer the general price level for most fats and oils is expected to rebound some from the weakness evidenced in June, averaging well above the summer of 1960. Important factors in the price outlook include (1) seasonally declining supplies of edible vegetable oils and lard, (2) strong domestic demand for food fats, and (3) a pickup in exports of edible oils.

Fruit

Total supplies of fresh fruit are expected to be somewhat larger this summer than last, the result of increased production of deciduous fruits and retarded marketing of citrus. Partly because of the heavier supplies, prices for most deciduous fruits at important shipping points in early July averaged below a year earlier. But prices for citrus fluctuated around the levels of a year earlier.

The 1961 crop of deciduous fruits will be about 6 percent larger than the 1960 crop and 7 percent above average, according to production prospects in early July. Crops indicated to be larger than in 1960 are apples, cherries, peaches, pears, plums, Pacific Northwest prunes, and grapes. The crops of apricots, California dried prunes, and strawberries are expected to be smaller. Prospective production of almonds and filberts is much larger than in 1960, that of walnuts up a little.

In early July, remaining supplies of 1960-61 crop citrus fruit consisted mostly of California Valencia oranges, lemons, and grapefruit.

Supplies of all three were somewhat larger than a year earlier, because retarded marketings more than offset reduced production so far in this marketing year. Remaining supplies will be used primarily for fresh market, though, as usual, substantial quantities of oranges and lemons probably will be processed.

Output of frozen orange concentrate in Florida in 1960-61 was a record 84 million gallons, 8 percent larger than in 1959-60. Packers' stocks in early July were about 13 percent above a year earlier. But stocks of Florida canned single-strength orange juice, of which the pack was down sharply in 1960-61, were 17 percent smaller than a year earlier. Stocks of canned grapefruit juice were up a little. As usual, stocks of all items will be reduced substantially before supplies from the new packs become available in the fall. For deciduous fruits, summer and early fall comprise a period during which stocks of canned and frozen fruits increase as packing from the new crop is seasonally heavy.

Commercial Vegetables

Fresh Market--Vegetables for fresh market will be seasonally heavy during the next 6 to 8 weeks. However, early July reports indicate that production will be moderately smaller than last summer's heavy supplies, but above the 1950-59 average. Among the more important items, substantially less summer cauliflower, cucumbers, lettuce, and dry onions, and moderately less early summer tomatoes are in prospect. Indicated supplies of snap beans, cabbage, carrots, celery, sweet corn, and green peppers are near those of last summer. Prospective production of watermelons for summer harvest is down a tenth from last year, but combined output of early-and-mid-summer cantaloupes is up about 6 percent.

If supplies of vegetables during the next 6 to 8 weeks are about in line with early July indications, prices to growers and at retail are likely to average moderately above those of last summer. Prices of watermelons are also expected to average higher.

Processing--Current supplies of canned vegetables are somewhat smaller than those of a year ago. Except for sweet corn, however, supplies of most major items are adequate. Supplies of frozen vegetables are materially larger than a year ago, with all major items up.

Production of winter and spring spinach this year was about the same as in 1960. But indicated production of green peas is up 7 percent and snap beans up 12 percent. Among other major crops, acreages are materially larger for green lima beans, beets, cucumbers for pickles, and tomatoes, and moderately larger for sweet corn, and contract cabbage for kraut. Should yields on the indicated acreages be near the average of recent years, production for canning would be moderately larger than last year and production for freezing substantially larger. However, carryover stocks are smaller so that overall supplies of canned vegetables probably will be only slightly larger than last season. Overall supplies of frozen items should be materially larger. During

the next two or three months, prices of frozen vegetables are likely to average near those of a year earlier, and prices of canned slightly higher.

Potatoes and Sweetpotatoes

Indications are that potatoes will continue in heavy supply. Production for summer harvest is close to that of last year, and moderately above the recent 10-year average. The early summer crop is down slightly, but the late summer crop is a little larger. Also, there was more overlap this year from the large late spring crop in California. Acreage of potatoes for fall harvest is up 8 percent from last year.

Prospective production of sweetpotatoes of 14.7 million hundredweight, is 6 percent smaller than last year, and about a fifth below the 1950-59 average. Prices for the light, early season supplies have been high. Prices will decline seasonally into the fall as harvest becomes general. However, with a smaller crop, prices to growers and at retail are likely to remain above those of a year earlier.

Dry Beans and Peas

Supplies of dry edible beans in the 1961-62 season promise to be a little smaller than in the previous season, and supplies of dry field peas about the same as those of the 1960-61 season. Export demand for dry peas in the coming marketing year probably will be stronger than in the previous season, because of weather damage to pea crops in Northern Europe and in French Morocco, normally one of the major exporters. Foreign demand for white classes of dry beans may be a little stronger than last season, but demand for colored beans is likely to remain relatively light, as the Cuban market remains closed to U. S. exports. Prices of both dry beans and dry peas in the 1961-62 season probably will average moderate to substantially above those of the previous season.

Cotton

Disappearance of cotton in the United States during the 1960-61 marketing year is expected to be about 14.8 million bales. This compares with average disappearance for the last 5 years of 14.5 million bales. Despite declines in both exports and mill consumption during 1960-61 from a year earlier, stocks are expected to be reduced again this year. The carryover of about 7.2 million bales forecast for August 1, 1961, is about 0.4 million bales below a year earlier and the lowest since 1953. The 1961 estimated carryover is only about half the record high of 1956.

Mill consumption during the 1960-61 season probably will be about 8.2 million bales compared to 9.0 million bales in 1959-60. Exports of cotton in 1960-61 may fall about 0.6 million bales below the total of the preceding year. On July 14 registrations of upland cotton under the payment-in-kind program for export during the 1960-61 season were 6,443,556 bales compared with 7,006,888 bales on July 15, 1960 for export during 1959-60. As of July 14, 1961, registrations for export during the 1961-62 season were 1,219,407 bales compared with only 689,050 bales on July 15, 1960 for export during the 1960-61 season.

Stocks of cotton held by CCC have been declining in recent months. Stocks were 5.2 million bales on January 1, 1961 and declined to 2.1 million bales by June 30. CCC stocks on August 1, 1961, will probably be the smallest on any August 1 since 1952. This transfer from CCC holdings to free stocks in part reflects the higher support price for cotton in 1961-62.

In response to the high support level, CCC sales prices, and other supply and demand conditions, spot market prices have increased in recent months. From January to June 1961, the average 14 spot market price for Middling 1-inch cotton increased from 30.14 cents per pound to 32.22 cents per pound. However, the monthly average 14 spot market prices for Middling 1-inch cotton from August 1960 to June 1961 were below average prices for the same months a year earlier.

Farm acreage allotments totaled 18.5 million acres in 1961 compared with 17.5 million in 1960. Acreage planted to cotton in 1961 was estimated on July 1 at about 16.6 million acres compared with about 16.1 million a year earlier. This is the largest acreage planted to cotton since 1956.

The planted acreage increased in each region of the cotton belt except the West. The largest increase occurred in the Southwest where plantings increased almost 5 percent from 1960. Increases in other regions were 4.2 percent for the Delta and 4.2 percent for the Southeast. The West was down about 11 percent. Of the total acreage planted to cotton in 1961, about 47.2 percent is in the Southwest compared with 46.3 percent a year earlier. The proportion planted in the Southeast and the Delta was above a year earlier. The proportion in the West was the smallest because of smaller acreage allotments.

Acreage planted to cotton was about 89 percent of the acreage allotted for both upland and long staple for 1961 compared with 91 percent for 1960. As in 1960, the smallest underplanting of the allotments was in the West where practically all of the allotted acreage was planted. The largest underplanting occurred in the Southeast where 79 percent of the allotments were planted. In the Southwest and the Delta 90 percent and 93 percent, respectively, of the allotments were planted. In 1960, a larger proportion of the allotted acreage was planted in each region other than the West. In the Southeast, about 83 percent was planted; about 91 percent was planted in the Southwest; and about 94 percent was planted in the Delta.

Tobacco

The July indication for production of all types of tobacco combined, at 1,978 million pounds, is nearly 2 percent above the total 1960 crop but 3 percent smaller than the 1950-59 average. Acreage of tobacco for harvest this year is estimated to be 2 percent above the 1960 acreage, which was the third smallest in 50 years. As of July 1, average yield per acre of all types combined was indicated to be only slightly lower than the record high of last year.

The July indication was for a total flue-cured crop of 1,238 million pounds, compared with 1,251 million in 1960, and 1,081 million in each of the years 1959 and 1958. Carryover of flue-cured on July 1, 1961, is estimated at near 2,117 million pounds--slightly above a year earlier. Carryover plus this year's indicated production will provide a total 1961-62 supply of 3,355 million pounds--about the same as for 1960-61 but 9 percent less than the record level of 1956-57.

Auction markets for flue-cured in Georgia and Florida--the southernmost belt--open July 27. Markets in South Carolina and Border North Carolina are expected to start August 3. Additional markets in North Carolina and those in Virginia will open later in August and September.

The Government price support level for the 1961 flue-cured crop is 55½ cents per pound--the same as in each of the previous two seasons. In establishing 1961 loan rates by grades, the average used to represent the anticipated grade composition of the crop was changed to the latest 10-year moving average. This necessitated an average increase of 2.4 cents a pound in loan rates for individual grades to provide the overall support level of 55½ cents.

Marketings of the 1960 crop of Maryland tobacco have been about completed. Auction markets closed July 14. The season auction average was 63.0 cents per pound--2.3 cents above the previous season and the highest on record. The 1961 indicated crop of Maryland tobacco as of July 1 is 35 million pounds--7 percent larger than the current estimate for 1960.

The 1961 crop of burley tobacco, estimated at 523 million pounds as of July 1, is 8 percent above last year. However, this year's crop plus the anticipated reduced carryover on October 1 will provide a total supply for 1961-62 of about 1,650 million pounds, a little lower than for 1960-61. According to early indications, both domestic use and exports of burley will be larger in the current marketing year than last year.

Flue-cured, burley, and Maryland are mainly cigarette tobaccos. Fire-cured and dark air- and sun-cured are used mainly in snuff and chewing tobacco. According to July 1 indications, the 1961 fire-cured and dark air-cured tobacco production will be up 14 percent and 11 percent, respectively, from last year.

The July indication for Pennsylvania cigar filler was for a crop equal in size to that of 1960. Indicated production of Ohio filler tobacco is about 6 percent larger than harvested in 1960.

Prospective production of Connecticut Valley cigar binder is almost a fifth below 1960 and a near-record low. The development of processed binder sheet has sharply reduced cigar manufacturers' requirements for Connecticut Valley types. Output of the Wisconsin binder types may be up 4 percent from last year. A substantial share of Wisconsin tobacco is utilized in scrap chewing manufacture.

The indicated production of shade-grown wrapper in the Connecticut Valley and Georgia-Florida is down 11 percent and 6 percent, respectively, from last year. But carryover of these types is at a record high, so that total supply for 1961-62 may be up nearly 4 percent to the largest on record.

Cigarette output in 1961 is likely to top last year's and attain a new high. Manufacture of cigars and cigarillos is also expected to surpass the 1960 level. Production of chewing tobacco and snuff are likely to be lower but output of smoking tobacco may be up a little from 1960.

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